Plaintiffs' Exhibit 115

DVAA

Display, Video Ads, Analytics and Apps

2017 Strategy Book

Version 1.2

Last Updated: 2016-08-29

GOOGLE CONFIDENTIAL AND PROPRIETARY

2017 Strategy Paper: Becoming the ad platform of choice for publishers

Director / VP Sponsor: Jonathan Bellack

Problem Statement

How do we become the advertising platform of choice for publishers around the web, foster an economically sustainable ecosystem and promote better user experience? What's the role of the exchange? How should the transfer of value from advertisers to publishers evolve to meet the current market state?

Overview

Our supply is changing in two ways.
First, after 20 years, a worrisome trend is emerging where free content supported by standardized ad products is becoming a challenging business model. In response, our traditional **content** partners (publishers and broadcasters) are working hard to diversify their revenue streams with new kinds of ads and, increasingly, non-ads revenues like subscriptions.
Second, an increasing share of mobile consumer time is spent on **services** that operate at large scale with extensive data assets -- e-commerce companies, social and gaming apps, and data products like music, weather, and travel. These businesses often have substantial non-ads revenues, signed-in user bases, and engineering resources, so they want us to fit our ad platforms & demand into their business model and tech stack. When we can't, they look elsewhere or build their own (losses like Snapchat, Wayfair, LinkedIn). This could be an opportunity, too -- among our top 50 mobile partners (40% of total mobile business), Services query growth remains strong even though revenue growth lags Content:

YoY growth	Mobile queries	Mobile revenue
Services	121%	75%
Content	71%	114%

Both segments are interested in our current roadmap so we should continue key projects like native ads, programmatic deals, exchange bidding, ads quality, and front-end unification. However, without accelerated product velocity, our ability to keep up with our partners is in doubt. We propose two actions:

1. Accelerate DFP premium support for new ad formats and basic commerce optimization.
2. Create "DRX for Services," featuring server-to-server connections, better APIs, and relaxed policies.

Situation: new revenue sources

1. **Other exchanges.** Publisher best practice is now to run multiple exchanges in competition, because it works -- Weather.com ended exclusivity with Google and is seeing 30%+ revenue lift. Header bidding continues to grow. Exchange bidding is our server-side response, but it is still early days. Many want Google to integrate only server-to-server (eBay asked for this, and it is a requirement for China).
2. **Other ad networks.** Amazon and FAN are becoming must-haves (FAN is on 80% of mApp), promoted content units are pervasive, and specialist native networks like YieldMo are growing fast.
3. **Custom formats.** Content companies generate their highest eCPMs from highly custom experiences which are not amenable to standardized backfill -- NY Times recently announced non-standard programs are over half their digital ad revenue. Services want *only* ad experiences that fit well with their user experience -- vertical video for Snapchat, audio for Spotify, rewarded video for King.com, etc.
4. **Custom targeting and audience extension.** Services have enough data (typically location, logged-in users, intent data) to offer unique targeting aligned with their brand. Weather can command a premium with weather data, Pandora can optimize based on what type of music someone listens to, etc. TripAdvisor can target based on destination searches. Commerce companies can even expand into audience extension, buying third-party inventory on behalf of advertisers. (We lost Wayfair because AppNexus is better at this than us.). They have shoehorned their custom data into DFP via features like keyvalues but key value targeting quickly runs into limits for these publishers.
5. **In-app purchases.** For mApp Services, IAP is often equal or greater than ad revenues, so optimization cannot be ads-only. For example, King.com reports that a 1% increase in IAP conversion could be worth more than their entire (nascent) ad business.
6. **Subscriptions.** Audio services like Pandora and Spotify are heavily subscription-driven, and many content companies are pursuing subscriptions with increasing success. NYT makes as much from subscriptions as ads and wants to emulate Netflix's sophistication with upsells; Conde Nast is trying to build a universal subscriber ID to manage on-site subscription offers.
7. **Commerce & classifieds.** For services with large commerce businesses, ads are a secondary revenue source. E-commerce includes Ebay, Walmart, Rakuten; classified businesses include Move.com and Linkedin.

Options

Google can still play an important role here, because there is nobody else today in as good a position to offer a complete publisher platform across all revenue sources. Even without a complete platform, we still represent enormous advertiser demand from GDN and DBM, and can continue to aggregate other demand through AdX RTB buyers and Exchange Bidding. We do, however, need to choose a path forward, as it is hard to be all things to all people without more investment.

Option one: Focus and become just an ad network again: NOT RECOMMENDED

If we cannot be the primary decision-maker, it is possible that we could achieve better ROI by exiting the platform pieces of our business like AdX buyers and Deals, and return to operating as a pure network like AdSense. This would emulate Facebook's decision to exit Liverail and its other platform projects in favor of growing FAN. However, we believe this is not a good solution for us, for several reasons:

1. Owning the platform gives us better inventory access and unique strategic opportunities like First Look, Exchange Bidding, and Programmatic Deals. (Like how AdMob pursues mobile mediation.)
2. The ad platform will give us better ability to influence the overall consumer ads experience by helping publishers understand the impact of their total ad load, latency, and creative quality.
3. Ad serving is comfortably profitable, which helps our overall DVAA margin.
4. The ill-will generated by exiting the platform business would undermine a network-only business.

Option two: <u>Accelerate</u> DFP Premium support for better ad formats and commerce optimization

Most of the Content segment, and indeed most of our DRX partners overall, still need a full-featured ad platform, and only turn to other solutions when we can't deliver. We can retain our lead with two investments:

1. Increase our velocity of support for new ad formats. We need to get out of fast-follower mode and become a launch partner for innovation. We are close on this -- both NYTimes and Vox announced new ad experiences powered by DoubleClick, Weather.com wants to use us for Native mediation, etc.
    a. In order to achieve a 2x increase in velocity we need to rethink formats development in DRX - to achieve that goal we need a +8 increase in HC (with 2 just for test).
    b. Make sure DRX is at consistent format parity with AdMob and AdSense. DRX support should be a gating requirement for GDN, gMob, and DBM format launches, and DBM should not buy new formats on other exchanges before they can buy them on AdX.
    c. If GDN/DBM are not interested in a given format (i.e. Audio and Digital Out of Home), permission to partner with AdX buyers to seed the market.
2. Build basic support for commerce optimization to help pubs optimize between ads and non-ads revenue sources. This would be a new effort within DRX so we would propose +2 HC to:
    a. Allow publishers to pass in a predicted commerce value per query, to compare with ad value to decide what to run.
    b. Improve house ads to work as basic on-site offer management -- conversion tracking, converting predicted CPA into a price to beat for ads, perhaps bringing back CPA optimization.
    c. User list support to easily build lists of subscribers, etc. for use in ads quality and targeting.